



GAIL FARBER, Director

**COUNTY OF LOS ANGELES  
DEPARTMENT OF PUBLIC WORKS**

*"To Enrich Lives Through Effective and Caring Service"*

900 SOUTH FREMONT AVENUE  
ALHAMBRA, CALIFORNIA 91803-1331

<http://dpw.lacounty.gov>

ADDRESS ALL CORRESPONDENCE TO:  
P.O. BOX 1460  
ALHAMBRA, CALIFORNIA 91802-1460

March 29, 2016

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

36 March 29, 2016

LORI GLASGOW  
EXECUTIVE OFFICER

**LOS ANGELES COUNTY WATERWORKS DISTRICT NO.40, ANTELOPE VALLEY  
TERMINATION OF RITTER RANCH PROJECT WATER SYSTEM AGREEMENT  
(SUPERVISORIAL DISTRICT 5)  
(3 VOTES)**

**SUBJECT**

This action is to terminate the 2006 Amended and Restated Water System Agreement between the Los Angeles County Waterworks District No. 40, Antelope Valley, and the builder of the Ritter Ranch Project.

**IT IS RECOMMENDED THAT THE BOARD ACTING AS THE GOVERNING BODY OF THE  
LOS ANGELES COUNTY WATERWORKS DISTRICT NO.40, ANTELOPE VALLEY:**

1. Find that the recommended action to delegate authority to execute a termination of the 2006 Amended and Restated Water System Agreement is not a project and is exempt from review under the California Environmental Quality Act Guidelines pursuant to Sections 15378(b)(5) and 15061(b)(3).
2. Approve and authorize the Director of Public Works or her designee to execute an agreement terminating the 2006 Amended and Restated Water System Agreement No. 66407.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The recommended action will find the termination of the 2006 Amended and Restated Water System Agreement No. 66407 (2006 ARWSA) and related actions are not a project and are exempt from review under California Environmental Quality Act (CEQA) Guidelines Sections 15378(b) and 15061(b)(3) and will authorize termination of the 2006 ARWSA in a form substantially similar to the

enclosed agreement. The termination of this agreement will eliminate the obligations of Los Angeles County Waterworks District No. 40, Antelope Valley (District 40) to provide water to the project and eliminate the requirement for the builder of the Ritter Ranch Project to construct water facilities as set forth in the 2006 ARWSA.

### **Implementation of Strategic Plan Goals**

The Countywide Strategic Plan directs the provision of Operational Effectiveness/Fiscal Sustainability (Goal 1) by eliminating unnecessary actions that will provide reliable water supply to our existing and future customers through effective water supply management.

### **FISCAL IMPACT/FINANCING**

There will be no impact on the County General Fund.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

In 1992, the Los Angeles County Waterworks District No. 34, Desert View Highlands (predecessor in interest to District 40) and Ritter Park Associates (Ritter Park Associates and its successors in interest are collectively "Builder") entered into Water System Agreement No. 66407 (the 1992 WSA) as a part of the Ritter Ranch Project for construction of 7,200 new homes.

In 1998, the Builder, Ritter Ranch Development, LLC, filed bankruptcy Case No. 98-25043 GM. Alleged assets of the debtor included the 1992 WSA. Objections and an Adversary Proceeding No. SV 05-01396 was filed in the bankruptcy court in 2004. The Board, acting as the governing body of District 40, settled the adverse proceeding by executing a Settlement Agreement No. 75847 with SCC Acquisition, LLC, and Palmdale Hills Property, LLC, in August 2006; and the Board approved the 2006 ARWSA. The bankruptcy court affirmed the settlement, replacing the 1992 WSA by 2006 ARWSA, where the Builder assumed and received the 2006 ARWSA.

In 2008, the then Builder of the Ritter Ranch Project, Sun Cal and its successor in interest, Palmdale Hills, LLC, filed for bankruptcy, Case No. 8:08-bk-17206 ES. Financial lender Lehman VD Lenders effectively took control of the Ritter Ranch Property and the 2006 ARWSA, to which District 40 objected. In 2014, the Board settled the matter by Stipulation and a Settlement Agreement that was to amend the 2006 ARWSA with "Amendment No. 1 to the Amended and Restated Water System Agreement between Los Angeles County Waterworks District No. 40, Antelope Valley, and LV Ritter Ranch LLC." (Amendment No. 1). Pursuant to an order entered by the court on June 16, 2014, the Builder assumed and received an assignment of the 2006 ARWSA.

In the 2014 settlement, the Board delegated authority to the Director of Public Works to negotiate Amendment No. 1 to downsize the water infrastructure of the Ritter Ranch Project from 7,200 homes to 4,500 homes. However, the Builder never was able to provide the proposed downsizing plans to District 40, and Amendment No. 1 was never completed. Conversely, the Builder has now come to District 40 seeking to terminate the 2006 ARWSA agreement in its entirety, abandoning efforts at amending the 2006 ARWSA.

The parties therefore mutually seek to terminate the Ritter Ranch Water System Agreement in its totality, including but not limited to the 2006 ARWSA.

Any future water service requests for the Ritter Ranch Project will be in accordance with the Rules and Regulations of the Los Angeles County Waterworks Districts and the Marina del Rey Water

System.

**ENVIRONMENTAL DOCUMENTATION**

The proposed actions do not constitute a project and are exempt from review under State CEQA Guidelines, Sections 15378(b)(5) and 15061(b)(3). Termination of the agreement is an organizational or administrative activity of government that will not result in direct or indirect physical changes to the environment. The activity is also exempt from CEQA because the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing significant effect on the environment. Termination of the 2006 ARWSA does not authorize any activity, which could impact the environment, because the water facilities will not be constructed pursuant to the 2006 ARWSA as a result of this proposed action.

Upon the Board's approval of the recommended actions, District 40 will file a Notice of Exemption with the County Clerk in accordance with Section 15062 of the State CEQA Guidelines.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

There will be no negative impact on current County services or projects during the performance of the recommended action.

**CONCLUSION**

Please return one adopted copy of this letter to the Department of Public Works, Waterworks Division.

Respectfully submitted,



GAIL FARBER

Director

GF:AA:dvt

Enclosures

c: Chief Executive Office (Rochelle Goff)  
County Counsel  
Executive Office

## **AGREEMENT TERMINATING THE WATER SYSTEM AGREEMENT**

This agreement (“Agreement”) is made by and between Los Angeles County Waterworks District No. 40, Antelope Valley, a public county waterworks district formed pursuant to Division 16 of the State Water Code (“District 40”), and LV Ritter Ranch LLC (the “Builder”) (collectively, the “Parties”) as of March 30, 2016 (the “Effective Date”).

### **I.**

#### **RECITALS**

A. As of August 15, 2006, District 40 and Palmdale Hills Property, LLC (“Palmdale Hills”) entered into the Amended and Restated Water System Agreement between Los Angeles County Waterworks District No. 40, Antelope Valley and Palmdale Hills Property, LLC (“Water System Agreement”). The Water System Agreement shall be deemed to include all amendments to the Water System Agreement, if any, and any predecessor in interest agreements to the Water System Agreement, including but not limited to the 1992 Water System Agreement No. 66407 Between Los Angeles County Waterworks District No. 34, Desert View Highlands and Ritter Park Associates, a California Limited Partnership for Water Service to Ritter Ranch, and the 2014 Amendment No. 1 to the Amended and Restated Water System Agreement No. 66407 Between Los Angeles County Waterworks District No. 40, Antelope Valley, and LV Ritter Ranch, LLC

B. The Water System Agreement concerns water service to be provided by District 40 to a proposed development project referred to as the “Development” in the

Water System Agreement. The Development will be located on real property referred to as the “Ritter Property” in the Water System Agreement.

C. Pursuant to an order entered by the Court on June 16, 2014 in the bankruptcy case entitled *In Re: Palmdale Hills Property, LCC and its Related Debtor*, Chapter 11, Case No. 8.08-bk-17206-ES, the Builder assumed, and received an assignment of, the Water System Agreement.

D. The Parties now seek to terminate the Water System Agreement in its entirety; terminating District 40's water commitment to the Development as provided in the Water System Agreement, and terminating the obligations of the Builder to construct the facilities as set forth in the Water System Agreement.

## **II.**

### **TERMS OF THE AGREEMENT**

WHEREFORE, for valuable consideration, the receipt of which is hereby acknowledged by the Parties, the Parties hereby agree as follows:

A. Incorporation

The above recitals are incorporated by reference in the Agreement.

B. Mutual Termination.

As of the Effective Date of this Agreement, (i) the Water Service Agreement is deemed terminated by mutual consent of the Parties, (ii) the Parties shall have no ongoing rights or obligations under, or arising from, the Water Service Agreement, and (iii) neither Party has any liability to or claim against the other Party, whether monetary or otherwise, whether known or unknown, in connection with or relating to the Water Service Agreement. Nothing in this Agreement shall preclude the Builder or its

successors to the Ritter Property from applying for and receiving water service from District 40 for the Ritter Property in accordance with the Rules and Regulations of the Los Angeles County Waterworks Districts and the Marina del Rey Water System and any other applicable laws and regulations, and nothing in this Agreement shall preclude District 40 from enforcing said laws and regulations in connection with such an application.

C. Additional Provisions.

1. Execution of Additional Documents. Each of the Parties agrees to promptly do such acts and execute such additional documents as might be necessary to carry out the provisions and effectuate the purposes of this Agreement.

2. Authority. Each person executing this Agreement on behalf of a corporation or other entity represents that he or she has the full legal right, power and authority to execute and deliver this Agreement and to bind the Party for whom such individual is signing, and to cause such Party to perform its obligations hereunder.

3. No Reliance on Others. No representations, oral or otherwise, express or implied, other than those contained herein have been made by any Party, or any officer, director, shareholder, partner, associate, agent, affiliate, insurer, attorney or employee thereof. By executing this Agreement, each of the Parties warrants and represents that this Agreement is made and entered into without reliance upon any statements or representations of any other Party, or in reliance upon any statements or representations made by any officers, directors, shareholders, partners, associates, agents, affiliates, insurer, attorneys or employees, of any other Party.

4. Independent Investigation. Each of the Parties warrants and represents that he, she or it has made its own independent investigation, in the manner deemed necessary and appropriate by them, of the facts and circumstances surrounding this Agreement, and that through such independent investigation, each Party has satisfied itself that the execution of this Agreement is in his, her or its best interest. Also, each of the Parties warrants and represents that his, her or its independent investigation has included, but not been limited to, receipt of independent advice by legal counsel on the advisability of entering into this Agreement.

5. Construction of Agreement. Each of the Parties has cooperated in the drafting and preparation of this Agreement and, therefore, any construction of the intent of the Parties or language hereof to be made by a court shall not be construed against any of the Parties.

6. Comprehension of Terms. Each of the Parties warrants and represents that he, she and it has read this Agreement in full, fully understands each and every provision hereof, and agrees to be bound by all of the terms and provisions set forth herein.

7. Inurement to Others. Each of the Parties agrees that the terms and conditions contained in this Agreement shall inure to the benefit of the assignees and successors of each of the Parties.

8. Governing Law. This Agreement shall be deemed to have been executed and delivered within the State of California, and the rights and obligations of the Parties hereunder shall be governed by, construed and enforced in accordance with the laws of the State of California.

9. Severability. Any portion of this Agreement found to be invalid, void or unenforceable shall be deemed severable from the remainder of this Agreement and shall not invalidate the remainder of the Section in which it is located or the remainder of this Agreement.

10. Amendment. This Agreement may be amended only by a written agreement signed by all Parties.

11. Headings. The titles and headings of the various sections of this Agreement are intended solely for convenience of reference and shall not be construed as an explanation, modification or intended construction of any terms or provisions of this Agreement.

12. Notice. Any notice required or permitted to be given under the terms of this Agreement shall be in writing and delivered by Overnight Mail and by facsimile or electronic transmission, unless another means of delivery is expressly authorized or required in this Agreement for a particular notice. Notices shall be sent to the following persons:

<p>To: Los Angeles County Waterworks District No. 40</p>	<p>With a copy to:  Michael L. Moore Principal Deputy County Counsel Los Angeles County Counsel's Office 648 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, CA 90012 Telephone: (213) 974-8407 E-mail: MMoore@counsel.lacounty.gov</p>
<p>To: LV Ritter Ranch LLC  LV Ritter Ranch LLC</p>	<p>With a copy to:  Edward J. Casey, Esq. Alston &amp; Bird LLP</p>

c/o Lehman Brothers Holdings Inc. 1271 Avenue of the Americas, 40th Floor New York, New York 10020 Attention: Peter Campbell E-mail: peter.campbell@lehmanholdings.com	333 South Hope Street, 16 <sup>th</sup> Floor Los Angeles, CA 90071 Telephone: (213) 576-1000 E-mail: ed.casey@alston.com
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Notice shall be deemed given as of the date of transmission of the notice. Any Party may change its addressee(s) for notice by providing written notice of such change in accordance with the requirements of this Section of the Agreement.

March \_\_\_\_, 2016

Los Angeles County Waterworks District No. 40

\_\_\_\_\_  
Name:  
Title:

March \_\_\_\_, 2016

LV Ritter Ranch LLC  
By: LV RR Venture LLC, its managing member

\_\_\_\_\_  
Name:  
Title:

APPROVED AS TO FORM:

MARY C. WICKHAM  
County Counsel

ALSTON & BIRD LLP

By \_\_\_\_\_  
MICHAEL L. MOORE  
Principal Deputy County Counsel

By \_\_\_\_\_  
Edward J. Casey